

**Statement by Assistant Secretary of State  
for Near Eastern Affairs  
C. David Welch**

**House International Relations Committee  
Subcommittee on the Middle East**

**September 21, 2005**

Thank you, Madame Chairwoman. I'm pleased to have the opportunity to address the committee today. I have just returned from New York, where I attended the President's meeting with Prime Minister Sharon last week and the Secretary's meeting with her Quartet counterparts just yesterday. This hearing is timely, for it allows us the opportunity to get your advice and views and also affords us an opportunity to discuss our policy approach.

It has been an eventful month in the region. We have seen a truly historic event unfold in Israel's withdrawal from the Gaza Strip. Prime Minister Sharon deserves credit for his steadfast courage in bringing the process to a successful conclusion. The conduct of the Israeli Defense Force and police was remarkable, and the Palestinian Authority cooperated by providing the IDF the space needed to complete its task. We have worked extensively with the parties, their neighbors in the region, and the international community during the run-up to disengagement. Secretary Rice made her third trip to the region in July, and I have traveled to the region numerous times as well. President Bush raised the issue extensively in his meetings during the UN General Assembly. And we continue to coordinate closely with our Quartet partners, as evidenced by yesterday's successful meeting, which produced international recognition of Israel's withdrawal and the moment of opportunity that it brings us.

But the post-disengagement transition to Palestinian self-governance in Gaza has not been as smooth as we might have hoped. Problems emerged along the Egypt-Gaza border in the first few days after the IDF departure. We have been in continuous communication with the Egyptians and the Palestinian Authority to ensure the parties meet their commitments to secure the border, and we believe the situation is stabilizing. Much of the flow of people across the border was for purposes of family reunification and commercial activity, but we remain very concerned about the situation at the Rafah crossing, reports of possible smuggling into Gaza, and looting of some of the greenhouses.

The events of the past few days underscore the very real challenges facing the Palestinian Authority as it takes on new responsibilities for governance. First and foremost is the task of security. Although President Mahmoud Abbas has taken some steps to assert control, overall Palestinian Authority performance to

date has been far from satisfactory. The PA must move quickly to establish order and take steps to dismantle the infrastructure of terror. Regional states such as Syria and Iran must cease their support for extremist Palestinian organizations which stand in the way of peace. And progress must continue on the critical task of reforming the PA security services under a unified, civilian command. We believe the rule of law through authorized security institutions is fundamental to democratic practice. Ultimately there is a fundamental contradiction between such activities and the building of a democratic state.

The U.S., European Union, Egypt, and others in the international community have taken an active role in these efforts. In this regard, the U.S. recently announced the provision of \$2.3 million in non-lethal assistance to the PA security services as directed by U.S. Security Coordinator General Ward and \$700,000 in funds for community policing efforts, which will be administered by USAID. I am pleased to be joined today by General Ward who will provide more information on the Palestinian Authority's efforts in this area, and our own efforts to support them.

Returning the Palestinian economy to sustainable growth remains a top priority as well. Our efforts in this area continue to be led by Quartet Special Envoy Jim Wolfensohn. To provide an immediate boost to the Palestinian Authority, Mr. Wolfensohn has identified \$750 million in international assistance expected to be disbursed between now and the end of the year. This total includes nearly \$160 million in U.S. funds for projects such as the rehabilitation of internal roads in Gaza and private sector technical assistance. We believe these projects will provide a boost to the Palestinian Authority as it assumes the mantle of governance in Gaza.

There has also been much progress on the agenda Mr. Wolfensohn has identified as critical to the longer-term revitalization of the Gaza economy. But a number of key issues remain, such as the status of crossings, practical links between the West Bank and Gaza, addressing barriers to movement in the West Bank, and the Gaza airport and seaport. All of these matters must be addressed, of course, with careful attention to the balance that must be struck between freeing up the Palestinian economy and addressing Israel's legitimate security needs. Mr. Wolfensohn is also working with the Palestinian Authority and the international community to formulate a Medium Term Development Plan which will lay out a strategy and budgetary framework for the Palestinian economy from 2006-2008.

But progress on these issues alone is unlikely to put the Palestinian economy back on a sustainable footing without the coordinated efforts of both the parties and the international community. Four years of intifada-induced economic decline left over two-thirds of Gazans in poverty, and wage bill pressures will leave the Palestinian Authority with a significant shortfall in its budget this year. The Arab states have a special responsibility in this regard to make good on their prior

commitments to the PA and further increase their support at this critical time. For its part, the U.S. will provide \$225 million in assistance to the Palestinians in FY05, as well as \$50 million for Israel to improve the flow of goods and people. We have requested an additional \$150 million for FY06. As a further statement of support for PA efforts, and in recognition of the much-improved level of financial accountability and transparency, this year's assistance included the recent provision to the Palestinian Authority of \$50 million in cash assistance for new infrastructure projects in Gaza.

But most critical of all, we believe that the Palestinian leadership must accelerate the process of reform to improve the lives of the Palestinian people and put the economy on a path to self-sufficiency. Building transparent, accountable government institutions, strengthening the rule of law and anti-corruption efforts is necessary to create an investor-friendly climate and stimulate private sector development. The further consolidation of Palestinian democracy through upcoming municipal and Legislative Council elections is an essential part of this process.

Over the coming months, our focus will be on using what the Secretary has described as "forces of momentum" to spur greater cooperation and trust between the Israelis and Palestinians as a way to renew action in accordance with the sequence of the Roadmap. We need to ensure the channels of coordination which grew from the disengagement process are used to advance the issues which remain before us, such as the Sharm el-Sheikh agenda. President Abbas' call to Prime Minister Sharon during disengagement was a positive example, and we have encouraged the parties to continue coordination at all levels on the range of issues before us. And we are encouraged by the two leaders' intention to meet again on October 2.

Looking ahead, much depends on whether the Palestinian Authority governs in a way which gives confidence to the Israelis, the international community, and the Palestinians themselves. It will also be important for both sides to meet their obligations under the Roadmap: Palestinians must confront violence and dismantle the terrorist infrastructure, and Israel must stop settlement expansion and dismantle unauthorized outposts. We will continue to work with both parties to build on the success of disengagement to re-energize progress along the Roadmap and bring us closer to realizing the President's vision of two democratic states – Israel and Palestine – living side by side in peace and security.

Thank you, and I will be happy to take your questions.